

**Congress of the United States**  
**House of Representatives**  
Washington, D.C. 20515

May 7, 2009

Mr. Gene L. Dodaro  
Acting Comptroller General of the United States  
U.S. Government Accountability Office  
441 G Street, NW  
Washington DC, 20548

Dear Mr. Dodaro:

We are writing to request that GAO examine how the Medicare program pays for oxygen equipment and related services and how the program's payment policies could be improved.

The Medicare program spends more than \$2 billion annually on oxygen equipment and services.<sup>1</sup> Congress has changed oxygen payment methods recently as policymakers seek the most cost effective way to ensure that beneficiaries have access to needed equipment and services. Questions remain, however, about proper level of payments.

At current payment rates, for example, Medicare allows oxygen suppliers to be paid more than \$6,000 over a five-year period for a certain type of stationary oxygen concentrator.<sup>2</sup> The Office of Inspector General at the Department of Health and Human Services estimates that actual costs for this service are less than \$1,000.<sup>3</sup> On the other hand, suppliers claim that this payment is too low to ensure a proper level of service for this type of equipment, which in turn could lead to lower quality care, reduced access and more hospitalizations.

For these reasons, we request that GAO conduct the following tasks:

- (1) Examine the costs associated with different types of oxygen equipment and supplies, as well as services necessary for the effective operation and maintenance of such equipment, taking into consideration special circumstances associated with populations that are elderly or have disabilities and geographic circumstances that may warrant modifications to the payment systems;

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<sup>1</sup> Department of Health and Human Services, Office of the Inspector General, *Medicare Home Oxygen Equipment: Cost and Servicing* (Sept. 2006).

<sup>2</sup> Centers for Medicare and Medicaid Services, *Monthly Payment Amounts Calculation* (2009) (online at [www.cms.hhs.gov/DMEPOSFeeSched/Downloads/Oxygen\\_Table\\_3d\\_2009\\_estimated.pdf](http://www.cms.hhs.gov/DMEPOSFeeSched/Downloads/Oxygen_Table_3d_2009_estimated.pdf)).

<sup>3</sup> Department of Health and Human Services, Office of the Inspector General, *Medicare Home Oxygen Equipment: Cost and Servicing* (Sept. 2006).

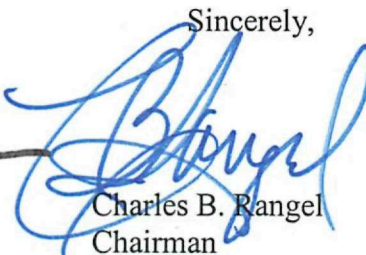
- (2) Compare Medicare payment levels for different types of oxygen equipment and services to the costs of providing the equipment and services, including payments made during the current 36-month rental cap for stationary oxygen equipment as well as periodic service payments for stationary equipment beyond this period;
- (3) Examine whether beneficiary access to oxygen therapy has been negatively affected by changes to payment policies and whether those changes are leading to a shift in the mix of oxygen services or in the site of care for such services;
- (4) Compare different methods of reimbursing oxygen equipment and services used by other payers — including the Veterans Health Administration, a sample of private insurance companies, and at least one Medicare Advantage plan — and assess how the use of other payment methodologies by the Medicare program would affect total program spending on oxygen equipment and services and beneficiary access to oxygen therapy; and
- (5) Address any other issues GAO believes Congress should take into consideration regarding the way Medicare pays for oxygen equipment and services.

We request that you keep our staff informed about the progress of your work. We would like to receive GAO's report by March 31, 2010. If you have any questions, please contact Tim Gronniger of the Committee on Energy and Commerce at (202) 225-2927 or Geoff Gerhardt of the Committee on Ways and Means at (202) 225-3943.

Sincerely,



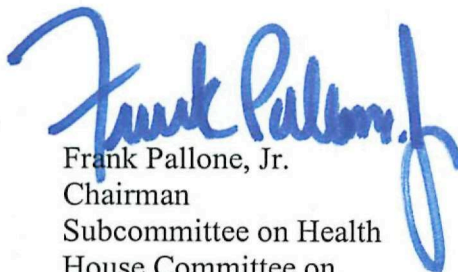
Henry A. Waxman  
Chairman  
House Committee on  
Energy and Commerce



Charles B. Rangel  
Chairman  
House Committee on  
Ways and Means



John D. Dingell  
Chairman Emeritus  
House Committee on  
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Frank Pallone, Jr.  
Chairman  
Subcommittee on Health  
House Committee on  
Energy and Commerce



Pete Stark  
Chairman  
Subcommittee on Health  
House Committee on  
Ways and Means